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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

JEFF HATCH-MILLER, Chairman  
WILLIAM A. MUNDELL  
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IN THE MATTER OF THE APPLICATION OF  
ARIZONA-AMERICAN WATER COMPANY,  
INC., AN ARIZONA CORPORATION, FOR  
AUTHORITY TO IMPLEMENT ARSENIC COST  
RECOVERY MECHANISMS FOR ITS AGUA  
FRIA WATER, SUN CITY WEST WATER,  
HAVASU WATER, AND TUBAC WATER  
DISTRICTS.

DOCKET NO. W-01303A-05-0280

IN THE MATTER OF THE APPLICATION OF  
ARIZONA-AMERICAN WATER COMPANY,  
INC., AN ARIZONA CORPORATION, FOR A  
DETERMINATION OF THE CURRENT FAIR  
VALUE OF ITS UTILITY PLANT AND  
PROPERTY AND FOR INCREASES IN ITS  
RATES AND CHARGES BASED THEREON FOR  
UTILITY SERVICE BY ITS SUN CITY WEST  
WATER AND WASTEWATER DISTRICTS.

DOCKET NO. WS-01303A-02-0867

IN THE MATTER OF THE APPLICATION OF  
ARIZONA-AMERICAN WATER COMPANY,  
INC., AN ARIZONA CORPORATION, FOR A  
DETERMINATION OF THE CURRENT FAIR  
VALUE OF ITS UTILITY PLANT AND  
PROPERTY AND FOR INCREASES IN ITS  
RATES AND CHARGES BASED THEREON FOR  
UTILITY SERVICE BY ITS MOHAVE WATER  
DISTRICT AND ITS HAVASU WATER  
DISTRICT.

DOCKET NO. W-01303A-02-0869

IN THE MATTER OF THE APPLICATION OF  
ARIZONA-AMERICAN WATER COMPANY,  
INC., AN ARIZONA CORPORATION, FOR A  
DETERMINATION OF THE CURRENT FAIR  
VALUE OF ITS UTILITY PLANT AND  
PROPERTY AND FOR INCREASES IN ITS  
RATES AND CHARGES BASED THEREON FOR  
UTILITY SERVICE BY ITS ANTHEM WATER  
DISTRICT, ITS AGUA FRIA WATER DISTRICT,  
AND ITS ANTHEM/AGUA FRIA WASTEWATER  
DISTRICT.

DOCKET NO. WS-01303A-02-0870

PROCEDURAL ORDER

1 IN THE MATTER OF THE APPLICATION OF  
2 ARIZONA-AMERICAN WATER COMPANY,  
3 INC., AN ARIZONA CORPORATION, FOR A  
4 DETERMINATION OF THE CURRENT FAIR  
5 VALUE OF ITS UTILITY PLANT AND  
6 PROPERTY AND FOR INCREASES IN ITS  
7 RATES AND CHARGES BASED THEREON FOR  
8 UTILITY SERVICE BY ITS TUBAC WATER  
9 DISTRICT.

**PROCEDURAL ORDER**

**BY THE COMMISSION:**

7 On February 15, 2005, the Arizona Corporation Commission ("Commission") issued  
8 Decision No. 67593 granting Arizona-American Water Company, Inc.'s ("Arizona-American" or  
9 "Company") request to reopen the record in Decision No. 67093 (June 30, 2004) for the limited  
10 purpose of serving as the evidentiary basis for future Arsenic Cost Recovery Mechanism ("ACRM")  
11 filings for the concerned Arizona-American water and wastewater districts.

12 By Procedural Order issued March 29, 2005, following a Procedural Conference, Arizona-  
13 American was directed to file a new application consolidated with those existing dockets from  
14 Decision No. 67093 (June 30, 2004) that would be affected by the specific relief requested in its  
15 filing. The Procedural Order also set a Procedural Conference to be held on May 2, 2005 for the  
16 purpose of discussing the procedural schedule applicable to the new application and the consolidated  
17 matters.

18 On April 15, 2005, Arizona-American filed the above captioned application for authority to  
19 implement ACRMs for its Agua Fria Water, Sun City West Water, Havasu Water, and Tubac Water  
20 Districts. As directed by the March 29, 2005 Procedural Order, the Company also filed direct  
21 testimony in support of the application, and a proposed form of public notice.

22 A Procedural Conference was held as scheduled on May 2, 2005, for discussion of an  
23 appropriate procedural schedule for the proceedings on the application and of the proposed form of  
24 public notice of the proceedings. The Company, the Commission's Utilities Division Staff ("Staff")  
25 and the Residential Utility Consumer Office ("RUCO") entered appearances through counsel. Staff  
26 and RUCO indicated that they could file direct testimony on the application within 60 days.

27 On May 4, 2005, the Company filed a Motion to Delete Tubac Water District from  
28

1 Application. The Motion stated that in response to its customers' desires, the Company is evaluating  
2 another arsenic-remediation technology for the Tubac Water District, and has asked the Arizona  
3 Department of Environmental Quality for a 12-month delay for compliance with the new federal  
4 requirements for that system to allow time for the evaluation. The Motion requested leave for the  
5 Company to amend its application to delete the requested relief concerning its Tubac Water District,  
6 and stated that counsel for Staff and RUCO have indicated to the Company that neither party has any  
7 objection to the request. The Motion further stated that counsel for Staff and RUCO have indicated  
8 that the Company's request will not necessitate additional time for the preparation and filing of their  
9 testimony. The Company stated that it will submit revised testimony that deletes all references to the  
10 Tubac Water District, and that no other portions of the testimony will change. Arizona-American's  
11 request is reasonable and should be granted.

12 Decision No. 67593 stated that once an appropriate record is developed regarding the arsenic  
13 issues raised by Arizona-American, the Commission will consider whether to modify Decision No.  
14 67093 pursuant to A.R.S. § 40-252. Accordingly, the matter should be set for hearing. Pursuant to  
15 A.A.C. R14-3-101, the Commission now issues this Procedural Order to govern the preparation and  
16 conduct of this proceeding.

17 IT IS THEREFORE ORDERED that Arizona-American Water Company, Inc.'s May 4, 2005  
18 Motion to Delete Tubac Water District from Application is hereby granted.

19 IT IS FURTHER ORDERED that that the hearing on the application of Arizona-American  
20 Water Company, Inc. for authority to implement Arsenic Cost Recovery Mechanisms for its Agua  
21 Fria Water, Sun City West Water, and Havasu Water Districts shall commence on **July 26, 2005 at**  
22 **10:00 a.m.**, or as soon thereafter as is practical, at the Commission's offices, 1200 West Washington,  
23 Phoenix, Arizona 85007.

24 IT IS FURTHER ORDERED that a pre-hearing conference shall be held on **July 22, 2005, at**  
25 **3:00 p.m.** at the Commission's Phoenix offices, for the purpose of scheduling witnesses and the  
26 conduct of the hearing.  
27  
28

1 IT IS FURTHER ORDERED that direct testimony and associated exhibits to be presented at  
2 hearing by parties other than Arizona-American Water Company, Inc. shall be reduced to writing and  
3 filed on or before **July 1, 2005**.

4 IT IS FURTHER ORDERED that rebuttal testimony and associated exhibits to be presented  
5 at hearing by any party shall be reduced to writing and filed **on or before July 21, 2005 at 12:00**  
6 **p.m.**

7 IT IS FURTHER ORDERED that any surrebuttal testimony and any rejoinder testimony shall  
8 be presented orally at the hearing.

9 IT IS FURTHER ORDERED that any objections to any testimony or exhibits that have been  
10 prefiled as of July 21, 2005, shall be made before or at the July 22, 2005 pre-hearing conference.

11 IT IS FURTHER ORDERED that all testimony filed shall include a table of contents that lists  
12 the issues discussed.

13 IT IS FURTHER ORDERED that any substantive corrections, revisions, or supplements to  
14 pre-filed testimony shall be reduced to writing and filed no later than five days before the witness is  
15 scheduled to testify.

16 IT IS FURTHER ORDERED that the parties shall prepare a brief, written summary of the  
17 pre-filed testimony of each of their witnesses and shall file each summary by 3:00 p.m. on **July 22,**  
18 **2005.**

19 IT IS FURTHER ORDERED that copies of summaries shall be served upon the Presiding  
20 Officer, the Commissioners, and the Commissioners' aides, as well as the parties of record.

21 IT IS FURTHER ORDERED that intervention shall be in accordance with A.A.C. R14-3-105,  
22 except that all motions to intervene must be filed on or before **June 17, 2005.**

23 IT IS FURTHER ORDERED that discovery shall be as permitted by law and the rules and  
24 regulations of the Commission, except that: until July 1, 2005, any objection to discovery requests  
25 shall be made within 7 days<sup>1</sup> of receipt and responses to discovery requests shall be made within 10  
26 days of receipt; thereafter, objections to discovery requests shall be made within 5 days and responses  
27

28 <sup>1</sup> "Days" means calendar days.

1 shall be made in 7 days; the response time may be extended by mutual agreement of the parties  
 2 involved if the request requires an extensive compilation effort; and no discovery requests shall be  
 3 served after July 19, 2005.

4 IT IS FURTHER ORDERED that, in the alternative to filing a written motion to compel  
 5 discovery, any party seeking discovery may telephonically contact the Commission's Hearing  
 6 Division to request a date for a procedural hearing to resolve the discovery dispute; that upon such a  
 7 request, a procedural hearing will be convened as soon as practicable; and that the party making such  
 8 a request shall forthwith contact all other parties to advise them of the hearing date and shall at the  
 9 hearing provide a statement confirming that the other parties were contacted.<sup>2</sup>

10 IT IS FURTHER ORDERED that any responses to motions shall be filed within five days of  
 11 the filing date of the motion.

12 IT IS FURTHER ORDERED that any replies shall be filed within five days of the filing date  
 13 of the response.

14 IT IS FURTHER ORDERED that public notice of the hearing in this matter shall be provided  
 15 in the following form and style, with the heading in no less than 12 point type and the body in no less  
 16 than 10 point type:

17 **PUBLIC NOTICE OF HEARING ON THE APPLICATION OF ARIZONA-AMERICAN**  
 18 **WATER COMPANY, INC. FOR AUTHORITY TO IMPLEMENT ARSENIC COST**  
 19 **RECOVERY MECHANISMS FOR ITS AGUA FRIA WATER, SUN CITY WEST WATER,**  
**AND HAVASU WATER DISTRICTS.**  
**Docket No. W-01303A-05-0280 et al.**

20 On April 15, 2005, Arizona-American Water Company, Inc. ("Company") filed with  
 21 the Arizona Corporation Commission ("Commission") an application for authority to  
 22 implement surcharges in order to recover the cost of new water treatment facilities  
 23 needed to comply with new federal government drinking water standards. The new  
 24 federal standards, which become effective January 23, 2006, reduce the maximum  
 25 level of arsenic allowed in drinking water from 50 to 10 parts per billion. If approved  
 26 by the Commission, the proposed surcharge would be effective in early 2006, and  
 27 would increase the average monthly residential bill for the Company's Agua Fria  
 Water District by approximately \$5.61; for its Sun City West Water District by  
 approximately \$8.97; and for its Havasu Water District by approximately \$18.06. The  
 Company is also requesting that a new hook-up fee of \$781 be imposed on new water  
 utility connections in its Havasu Water District. Copies of the Company's application  
 and other filings are available at the Company's office [COMPANY INSERT

28 <sup>2</sup> The parties are encouraged to attempt to settle discovery disputes through informal, good-faith negotiations  
 before seeking Commission resolution of the controversy.

**ADDRESS AND CONTACT INFORMATION HERE]** and at the Commission's Docket Control Center for public inspection during regular business hours.

The Commission will hold a public hearing on this matter beginning **July 26, 2005 at 10:00 a.m.** at the Commission's offices, 1200 West Washington Street, Phoenix, Arizona. Public comments will be taken on the first day of the hearing.

The law provides for an open public hearing at which, under appropriate circumstances, interested parties may intervene. Intervention shall be permitted to any person entitled by law to intervene and having a direct and substantial interest in the matter. Persons desiring to intervene must file a written motion to intervene with the Commission no later than **June 17, 2005**. The motion to intervene must be sent to all parties of record, and shall contain the following:

1. The name, address, and telephone number of the proposed intervenor and of any entity upon whom service of documents is to be made if different from the intervenor;
2. A short statement of the proposed intervenor's interest in the proceeding; and
3. A statement certifying that a copy of the motion to intervene has been mailed to all parties of record in the proceeding.

The granting of intervention, among other things, entitles a party to present sworn evidence at the hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and providing public comment or from filing written comments in the record of the case. You will not receive any further notice of this proceeding unless you request it.

If you have any questions about this application, or want further information on intervention, you may contact the Consumer Services Section of the Commission at 1200 W. Washington Street, Phoenix, Arizona 85007 or call 1-800-222-7000.

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Linda Hogan, ADA Coordinator, voice phone number 602/542-3931, E-mail [LHogan@azcc.gov](mailto:LHogan@azcc.gov). Requests should be made as early as possible to allow time to arrange the accommodation.

IT IS FURTHER ORDERED that Arizona-American Water Company, Inc. shall cause a copy of the above-ordered notice to be published in newspapers of general circulation in its Agua Fria Water, Sun City West Water, and Havasu Water Districts no later than **May 31, 2005**, and shall file certification of publication as soon as practicable after publication has been completed.

IT IS FURTHER ORDERED that Arizona-American Water Company, Inc. shall mail a copy of the above-ordered notice, containing the proposed estimated surcharge and hook-up fee information, along with contact information specific to each District, to each of its customers in its

1 Agua Fria Water, Sun City West Water, and Havasu Water Districts with their May 2005 billings;  
2 shall complete mailing of the notice no later than **May 31, 2005**; and shall file certification of mailing  
3 as soon as practicable after mailing has been completed.


4 IT IS FURTHER ORDERED that notice shall be deemed complete upon publication and  
5 mailing of same, notwithstanding the failure of an individual to read the notice.

6 IT IS FURTHER ORDERED that the Ex Parte Rule (A.A.C. R14-3-113 - Unauthorized  
7 Communications) applies to this proceeding and shall remain in effect until the Commission's  
8 Decision in this matter is final and non-appealable.

9 IT IS FURTHER ORDERED that the time periods specified herein shall not be extended  
10 pursuant to Rule 6(a) or (e) of the Rules of Civil Procedure.

11 IT IS FURTHER ORDERED that the Presiding Officer may rescind, alter, amend, or waive  
12 any portion of this Procedural Order either by subsequent Procedural Order or by ruling at hearing.

13 Dated this 6<sup>th</sup> day of May, 2005

14   
15 TEENA WOLFE  
16 ADMINISTRATIVE LAW JUDGE  
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18  
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20  
21  
22  
23  
24  
25  
26  
27  
28

1 Copies of the foregoing mailed/delivered  
2 this 6 day of May, 2005 to:

3 Craig A. Marks, Corporate Counsel  
4 19820 N. 7<sup>th</sup> Street, Suite 201  
5 Phoenix, AZ 85024  
6 Attorney for Arizona-American Water Co.

7 Thomas M. Broderick  
8 Manager, Government and Regulatory Affairs  
9 19820 N. 7<sup>th</sup> Street, Suite 201  
10 Phoenix, AZ 80024

11 David P. Stephenson  
12 Director of Rates and Revenues  
13 American Water Works Service Co., Inc.  
14 303 H. Street, Suite 250  
15 Chula Vista, CA 91910

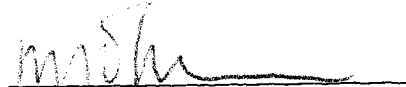
16 Daniel Pozefsky  
17 RUCO  
18 1110 W. Washington, Ste. 220  
19 Phoenix, AZ 85007

Walter W. Meek  
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Phoenix, Arizona 85004

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Legal Division W-01303A-05-0280 et al.  
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Phoenix, Arizona 85007

Ernest Johnson, Director  
Utilities Division  
ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
Phoenix, Arizona 85007

ARIZONA REPORTING SERVICE, INC.  
2627 N. Third Street, Suite Three  
Phoenix, Arizona 85004-1104

By:   
Molly Johnson  
Secretary to Teena Wolfe